

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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**REPLY COMMENTS OF THE UTILITY REFORM NETWORK
ON THE AMENDED SCOPING MEMO AND RULING OF THE ASSIGNED
COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**



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I. INTRODUCTION

Pursuant to the Assigned Commissioner and Administrative Law Judge’s Scoping Memo and Ruling issued in this docket on March 30, 2016 (“Amended Scoping Memo”), The Utility Reform Network (TURN) respectfully files its reply comments to parties’ opening comments on the Amended Scoping Memo. These reply comments address concerns about “free-ridership” and equity, overly broad and burdensome recommendations by Southern California Edison (SCE), and data collection / pilot evaluation issues. Many party comments, particularly those addressed here, go far beyond the scope of what was asked in Appendix B of the Scoping Memo; TURN nevertheless addresses issues of ratepayer risk pursuant to some party recommendations.

Broadly speaking, SB 350 calls on the Commission to consider applications that actually *accelerate* transportation electrification (TE) – though the utilities have expressed significant appetite for large-scale ratepayer spending initiatives, they have yet to demonstrate that these efforts will significantly increase EV adoption *over the status quo*. Acceleration of utility infrastructure investments does not necessarily equate to acceleration of TE, but *does necessarily* equate to increased cost and risk to ratepayers. TURN acknowledges that it can be challenging to demonstrate that a program will impact EV adoption, but it is incumbent upon utilities to make this showing before the Commission can approve large-scale ratepayer funded programs.

TURN provides the following general responses to party comments, which are discussed in greater detail in the following sections:

- Recommendations for ratepayer funds to support EV adoption must address “free-ridership” and equity concerns;
- SCE’s recommendation to “fast-track” make-ready infrastructure expenditures should not be granted. The proposal is counter to the Commission’s regulatory process for utility applications and the ratepayer protection provisions of SB 350;

- The Commission should require utilities to conduct quantitative cost-effectiveness analyses¹ for pilot programs and subsequent applications; and
- The Commission should conduct workshops and/or provide a proposal to determine a quantitative cost-effectiveness analysis appropriate to evaluate utility transportation electrification infrastructure programs.

II. THE COMMISSION MUST ACCOUNT FOR “FREE-RIDERSHIP” AND EQUITY CONSIDERATIONS WHEN REVIEWING APPLICATIONS FOR RATEPAYER FUNDED TRANSPORTATION ELECTRIFICATION PROGRAMS

The Joint Automakers recommend “investigating options to reduce the impact — both complexity and out-of-pocket expenses at the household level”² for charging station expenses when purchasing an EV. The Automakers note that while initial utility pilots target apartment buildings (multi-unit dwellings, or “MuDs”) similar considerations have not been given to single-family homes. The Joint Automakers suggest ratepayer-subsidized rebates for installations at single-family homes, citing a Michigan program for rebates of up to \$2,500 per customer to offset the cost of charging infrastructure at a residence.³ While TURN does not oppose rebates *per se*,⁴ the recommendation does not take into account free-ridership or equity considerations, and may lack foundation in the California context.

Installation of chargers at single-family homes have not been identified as “underserved” markets and do not face the significant obstacles experienced at MuDs. In fact, almost 90% of EV drivers in California reside in single-family homes, while just 4% reside in an apartment building or condominium.⁵ The Joint Automakers have not presented any evidence that the cost of installing charging infrastructure at single-family

¹ TURN uses the terms “cost-effectiveness” and “cost-benefit” interchangeably in these comments.

² Joint Automakers Comments, p. 4.

³ Ibid.

⁴ We note low carbon fuel standard (LCFS) revenues may be an appropriate source of funds for these rebates.

⁵ Center for Sustainable Energy (CSE), February 2014 Survey Report, <https://cleanvehiclerebate.org/eng/vehicle-owner-survey/feb-2014-survey>.

homes represent a significant obstacle for consumers to purchase an electric vehicle (EV) and should be subsidized by ratepayers. Further, TURN notes that a Proposed Decision was recently issued in this proceeding that extends the policy of treating the EV supply equipment costs, that exceed the Electric Rules 15 and 16 allowances, as common facility costs for another three years, until June 30, 2019.⁶ The current practice of treating costs that exceed the line allowance limit in Rules 15 and 16 is already a significant potential subsidy to EV drivers living in single-family homes. TURN has no objection to utility efforts to decrease complexity when a consumer wishes to install a Level 2 charging station at a single-family home, if applicable.

The Joint Automakers ignore equity and free-ridership considerations, which are interrelated when considering the type of rebate proposed. If a rebate were offered to all single-family households who buy or lease an EV, many consumers may receive a subsidy in situations where the funds: 1) have no impact on the decision to buy or lease an EV, and/or 2) go to wealthy households that least require public subsidy.⁷ This “reverse Robin Hood effect,” whereby low-income consumers subsidize wealthy households, must be mitigated for all aspects of utility charging station infrastructure applications.

III. RESPONSES TO THE COMMENTS OF SOUTHERN CALIFORNIA EDISION

A. SCE’s Recommendation for Fast Track Approval of “Make-Ready” Infrastructure Lacks Foundation, Would Result in Undue Harm to Ratepayers, and is Contrary to SB 350 and Commission Decisions

TURN agrees that accelerated EV adoption is an important part of achieving state

⁶ See Proposed Decision of Commissioner Peterman Authorizing Further Extension of the Interim Policy Regarding Electric Tariff Rules 15 and 16, issued in R.13-11-007 on May 5, 2016.

⁷ According to Center for Sustainable Energy Survey statistics, 77% of households that purchased an EV (and received a state rebate) had incomes greater than \$100,000 (34% above \$200,000), compared to average household income in California of about \$62,000. See CSE, <https://cleanvehiclerebate.org/eng/survey-dashboard/ev>, and <http://www.deptofnumbers.com/income/california/>.

emissions goals. In fact, TURN is not aware of *any* party to this proceeding that denies that EVs represent a cleaner, more efficient form of transportation than most conventional vehicles. However, SCE's conclusion that "all utility efforts to facilitate TE should be in scope" and "investments in "make readies" for charging and propulsion infrastructure" should be eligible for an expedited, "fast-track" process⁸ is inconsistent with the Commission's decision allowing utilities to invest in charging station infrastructure. This proposal also contradicts the ratepayer protection provisions of SB 350 which require a consideration of the costs and benefits of any utility TE program and a determination by the Commission that a program is "in the interests of ratepayers" before approving any such program.⁹

The "fast-track" proposal represents an aggressive move by SCE to abdicate its burden of proof necessary to justify ratepayer expenditures and would significantly limit the Commission's ability to ensure just and reasonable rates pursuant to Public Utilities Code §451.¹⁰ In addition, the Commission must protect ratepayers by setting clear parameters for subsequent utility applications (which may include size and duration constraints) which at the very least must require the utilities to conduct *quantitative* cost-benefit assessments of proposed programs and Phase 1 pilots, as discussed briefly by TURN in its opening comments¹¹ and in further detail below.

SCE recommends that "certain 'no regrets' TE programs" including "make ready" investments situated at "long dwell-time" locations should receive "fast track" processes to be approved by the Commission. The utility seems to consider many public locations in its territory as potentially suited to future infrastructure programs, including "workplaces, residences, fleets and destination centers."¹² This type of approval process, which may result in a "rubber stamp" for mass investment in charging infrastructure, is

⁸ SCE Comments, p. 15.

⁹ §740.12(b).

¹⁰ Unless otherwise noted all further statutory references are to the Public Utilities Code.

¹¹ TURN Comments, p. 4.

¹² SCE Comments, p. 15, footnote 36.

not based on any analysis of need and runs counter to D.14-12-079 which determined that the Commission will consider utility applications using a “case-specific approach”¹³ and through examination of “each proposed utility program based upon its specific requests.”¹⁴ SCE’s recommendation that its infrastructure programs potentially utilize the Advice Letter process by adhering to “pre-established” criteria¹⁵ would not allow for the type of consideration envisioned by the Commission in its decision allowing utilities to invest in charging station infrastructure.

B. SCE Overstates the Role for Utilities Prescribed in the Transportation Electrification Provisions of SB 350

SCE’s comments exaggerate the role for utilities in transportation electrification (TE) envisioned by SB 350. For example, SCE states that SB 350 envisioned “a broad, comprehensive role for utilities” in the TE space.¹⁶ TURN disagrees with this statement in the context of ratepayer funded utility activities. The only sections of the TE statutory provisions of SB 350 that reference “electrical corporations” or utilities are §§ 740.3(c), 740.12(a)(1)(e), and 740.12(b) and (c). None of these sections calls for a comprehensive role for the utilities. Sections 740.12(b) and (c) are the most instructive regarding the utilities role, §740.12(b) states in part:

“The commission, in consultation with the State Air Resources Board and the Energy Commission, shall direct electrical corporations to file applications for programs and investments to accelerate widespread transportation electrification **The commission shall approve, or modify and approve, programs and investments in transportation electrification, including those that deploy charging infrastructure, via a reasonable cost recovery mechanism, if they are consistent with this section, do not unfairly compete with nonutility enterprises as required under Section 740.3, include performance accountability measures, and are in the interests of ratepayers as defined in Section 740.8.**” (emphasis added)

¹³ D.14-12-079, COL #1.

¹⁴ Ibid., at COL #3.

¹⁵ SCE Comments, p. 16.

¹⁶ Ibid., at p. 2.

Section 740.12(b) clearly prescribes a role for the utilities in TE but the end of the statute also includes limitations on that role to the extent the utility seeks cost recovery from ratepayers for TE programs and investments.¹⁷ In that regard, utility programs must not unfairly compete with private enterprises and they must also include performance accountability measures and be in the interests of ratepayers.

Section 740.12(c)¹⁸ places additional limitations of ratepayer funded utility TE programs. This section includes essential ratepayer protections that cannot be ignored. Specifically Section 740.12(c) requires the Commission to review data regarding EV adoption and charging infrastructure utilization rates to fully evaluate the risk of stranded costs from new utility TE programs before approving any such programs. Given the significant technological changes occurring in the EV and charging infrastructure market now, as well as the uncertainty regarding how exactly utilities will deploy ratepayer investments in charging infrastructure, the risk of stranded costs is real and the Commission must evaluate and account for these risks before allowing cost recovery from ratepayers. Full consideration of a program's risk of stranded costs is necessary for the Commission to comply with

¹⁷ Section 740.3(c) includes similar limitations on utility program costs being passed onto ratepayers: "The commission's policies authorizing utilities to develop equipment or infrastructure needed for electric-powered and natural gas-fueled low-emission vehicles shall ensure that the costs and expenses of those programs are not passed through to electric or gas ratepayers unless the commission finds and determines that those programs are in the ratepayers' interest. The commission's policies shall also ensure that utilities do not unfairly compete with nonutility enterprises."

¹⁸ See Section 740.12(c): "The commission shall review data concerning current and future electric transportation adoption and charging infrastructure utilization prior to authorizing an electrical corporation to collect new program costs related to transportation electrification in customer rates. If market barriers unrelated to the investment made by an electric corporation prevent electric transportation from adequately utilizing available charging infrastructure, the commission shall not permit additional investments in transportation electrification without a reasonable showing that the investments would not result in long-term stranded costs recoverable from ratepayers."

its statutory mandate to ensure just and reasonable rates pursuant to §451.

C. The Commission should Disregard SCE’s Recommendations to Remove the Requirement for Coordination with Planning and Transportation Agencies for Infrastructure Investments from the Application Guidance Straw Proposal

SCE recommends changing the language in the Application Guidance Straw Proposal to be less prescriptive regarding coordination with State and Regional planning and transportation agencies.¹⁹ The Commission should reject this recommendation because it is essential that utility programs be coordinated with, and not duplicative of, federal, state and regional programs and investments so that ratepayer dollars do not replace public funds. As was discussed in TURN’s opening comments, the California Energy Commission and other regional planning agencies are making significant investments in EV charging infrastructure and it is essential that any utility programs are coordinated with these investments.

D. The Commission should Reject SCE’s Proposed Change to the Application Guidance Straw Proposal to Remove Critical Ratepayer Protections from the List of Application Requirements

SCE provides a detailed mark-up of the Application Guidance Straw Proposal as Appendix 1 to its Comments. In this Appendix, SCE proposes changing the requirement that applications “Minimize cost and maximize benefit” from a mandatory requirement to a permissive requirement.²⁰ SCE’s justification for the proposed change is that this language could “conflict with other long-term energy and environmental goals”²¹ and then cites California’s 2050 air-quality goals as an example. While this is possible, ratepayers should not be solely responsible for funding programs to achieve the State’s air quality goals and the Commission has a duty to ensure just and reasonable rates for California ratepayers. Programs to support State air-quality goals are more appropriate

¹⁹ SCE Comments, p. 17.

²⁰ SCE Comments, Appendix 1. SCE proposes changing the language from “applications must” to “applications should seek to”.

²¹ SCE, p. 17.

for taxpayer funding which is income-based and does not affect the affordability of essential services like electricity. The language used in the Straw Proposal was taken from §740.12(b) and is an essential ratepayer protection provision of the statute regarding ratepayer funded utility programs. To the extent ratepayer funded TE investments are made, the Commission should ensure that utility programs minimize costs and maximize benefits.

IV. UTILITIES SHOULD CONDUCT QUANTITATIVE COST-BENEFIT ANALYSES FOR PILOT AND LARGE-SCALE TRANSPORTATION ELECTRIFICATION INVESTMENT APPLICATIONS

SCE's comments propose: "TE programs should be evaluated *qualitatively* at a *portfolio* level, as numerical, quantitative tests at the TE portfolio or individual program element level are premature at this time."²² SCE cites comments from Eric Cutter (E3) at the April 29th workshop as a basis for this assertion and states that, "the existing cost-benefit tests in the Standard Practices Manual were designed for a different situation and are not appropriate for programs to accelerate TE under SB 350."²³

TURN does not know what SCE means by "portfolio level" or a "different situation," but regardless, the Commission should clarify that utilities are required to provide a **quantitative** cost-benefit analysis for Phase 1 pilot programs and subsequent applications as part of the burden of proof necessary to justify ratepayer expenditures. Further, the Commission will need quantitative measurement and evaluation tools to fulfill the following section of SB 350:

The commission shall review data concerning current and future electric transportation adoption and charging infrastructure utilization prior to authorizing an electrical corporation to collect new program costs related to transportation electrification in customer rates. If market barriers unrelated to the investment made by an electric corporation prevent electric transportation from adequately utilizing available charging infrastructure, the commission shall not permit additional investments in transportation electrification without a reasonable

²² Ibid., at p. 14.

²³ Ibid., at p. 14, FN 34.

showing that the investments would not result in long-term stranded costs recoverable from ratepayers.²⁴

A. The Commission should Provide Guidance Regarding Standards for Cost-Effectiveness Analyses for Transportation Electrification Programs

SCE provides no evidence that the Standard Practice Manual (SPM) could not provide a basis from which to conduct a cost-effectiveness analysis. For instance, the SPM discusses “load building”²⁵ and “fuel switching”²⁶ programs, which are relevant to utility charging infrastructure applications. Building on this guidance, the California Transportation Electrification Assessment (“Cal TEA”), Phase 2 analysis, provides both Total Resource Cost and Ratepayer Impact Measure analyses for EV adoption generally.²⁷ At the same time, the report calls for “new approaches”²⁸ to cost-effectiveness to address gaps. Pursuant to this recommendation, TURN suggests Commission staff provide a proposal and/or hold workshops to give utilities guidance on how to conduct cost-effectiveness analyses to evaluate pilot programs and applications to build charging infrastructure.

SCE’s position that quantitative metrics are “premature” is incongruent with its recommendation that the Commission employ expedited approval for “no regrets” investments in “make-readies.” Utility applications must make the case that investments result in increased EV adoption and resulting ratepayer benefits (including GHG reductions and increased off-peak load resulting in downward pressure on rates) – in order to accomplish this, quantification measures will need to be employed.

²⁴ Emphasis added. SB 350, Section 740.12 (c).

²⁵ For instance, the Standard Practice Manual (SPM) prefers the RIM test for load-building programs. SPM, p. 6.

²⁶ TURN acknowledges the complexity that “fuel switching” is occurring between two different sectors, transportation and electric.

²⁷ California Transportation Electrification Assessment (“Cal TEA”), Phase 2: Grid Impacts, October 23, 2014, pp. 56, 62, among others.

²⁸ Cal TEA, p. 23.

B. Utility Pilot Evaluation Must Address EV Adoption

With regard to pilot evaluation,²⁹ TURN is extremely concerned about the following comment by SCE:

Ex post evaluation of programs should be forward looking, focusing on how to target and refine the next round of utility investment, not on determining whether the level of adoption that occurred (or not) is attributable (or not) to the utility's program.³⁰

The entire basis of utility charging infrastructure programs is to promote and accelerate EV adoption. Also, one of the "Guiding Principles" adopted by the Commission for SCE's pilot was to "accelerate the adoption of 1.5 million zero emission vehicles by 2025."³¹ It is therefore reasonable the utility collect data on whether progress towards this guiding principle is achieved during the pilot.³² TURN recognizes that this is not a simple task and while measurement of EV adoption pursuant to utility programs may not be exact, effort should be expended to quantify the impact of utility programs where possible.

V. CONCLUSION

TURN appreciates the opportunity to provide these reply comments. While TURN agrees that the TE provisions of SB 350 call for a role for the utilities, the ratepayer protection provisions of the statute are paramount and must be fully accounted for when evaluating any utility applications for ratepayer funded investments in TE.

²⁹ Both SCE and SDG&E have approved programs piloting investment in charging infrastructure, with PG&E's application pending.

³⁰ SCE Comments, p. 13.

³¹ Emphasis added. D.16-01-023, p. 7.

³² TURN and other parties have suggested numerous ways this could be accomplished including surveys at workplaces and MuDs and granular to less-granular statistics on the number of EV's adopted in utility territories. The settlement adopted in SCE's case, Appendix A, states pilot results will include "Insights learned by SCE about the effect of the program on the EVSE and EV market." D.16-01-045 approved SDG&E's VGI Pilot program wherein Appendix B adopted TURN's recommendation to conduct "surveys of customer and driver decisions to adopt PEVs."

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